

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 STR-04 CEA-01 SAJ-01 AID-05

CIAE-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

DODE-00 PM-03 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15

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R 270939Z JUN 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 1645

INFO USDOC WASHDC

USLO PEKING

AMCONSUL HONG KONG

C O N F I D E N T I A L MOSCOW 8936

USDOC FOR BEWT/USSR

E.O. 11652: GDS

TAGS: ETRD, UR, CH

SUBJECT: SOVIET-CHINESE TRADE NEGOTIATIONS

REF: MOSCOW 6882

1. AT JUNE 25 RECEPTION, CHINESE EMBASSY FIRST SECRETARY PAI HUI-CHUAN ADVISED COMMATT THAT SOVIET-CHINESE NEGOTIATIONS ON 1975 TRADE AGREEMENT WERE STILL CONTINUING. ALTHOUGH PAI SAID IT WAS CURRENTLY IMPOSSIBLE TO PREDICT WHEN TALKS WOULD CONCLUDE, HE INDICATED THAT THERE WAS STILL SOME HARD BARGAINING AHEAD. PAI ALSO CLAIMED THAT IT WAS NOT POSSIBLE AT PRESENT TO STATE WHETHER LEVEL OF TRADE WOULD INCREASE UNDER NEW AGREEMENT. HE SAID HE "PERSONALLY" THOUGHT LEVEL WOULD REMAIN ROUGHLY SAME AS PREVIOUS YEARS.

2. ASKED WHY THIS YEAR'S TALKS WERE LASTING LONGER THAN
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USUAL (PAI SAID TALKS NORMALLY TAKE TWO MONTHS, WHILE CURRENT TALKS

ARE ALREADY INTO FOURTH MONTH), PAI INDICATED THAT SWITCH TO "WORLD MARKET PRICES" FOR 1975 AGREEMENT WAS MAJOR PROBLEM. HE EXPLAINED THAT IT WAS VERY DIFFICULT TO REACH AGREEMENT ON VALUE OF SOVIET MACHINERY WHICH CHINESE TRADITIONALLY BUY. AS EXAMPLE, HE SAID SOVIETS WERE ASKING SAME PRICE FOR IL-62 AS CHINESE PAY FOR BOEING 707, ARGUING THAT TWO AIRCRAFT ARE COMPARABLE. CHINESE POINT OUT, HOWEVER THAT IL-62 USES SEVEN TONS OF FUEL PER HOUR WHILE B-707 USES 5.5 TONS PER HOUR. SIMILAR PROBLEM HAS ARISEN IN CASE OF ELECTRIC POWER GENERATING EQUIPMENT, WITH SOVIETS DEMANDING SAME PRICE CHINESE PAY FOR WESTERN EUROPEAN (BROWN BOVERI AND ASEA) EQUIPMENT AND CHINESE POINTING OUT THAT SOVIET EQUIPMENT LESS SOPHISTICATED AND LESS EFFICIENT IN TERMS FUEL CONSUMPTION PER KWH. STOESSEL

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